

~~SECURITY INFORMATION~~

NSC BRIEFING

1 December 1953

THE KOREAN SITUATION

A. North Korean Rehabilitation

The Communist bloc is mobilizing in what appears to be an effort to rehabilitate North Korea quickly as a practical demonstration of Communist achievement. Both the Soviets and China have made large grants, and are sending technical help. Internally, the North Korean regime is shifting labor from rural areas and from the state farms to industrial areas, and is undertaking the usual Communist production speed-up campaign. Railroads and airfields have now been virtually restored.

China's grant of \$350,000,000, at the official rate of exchange, appears to have capped the Soviet grant of \$250,000,000. Moreover, the Soviet-North Korean agreement provided for easier terms on repayment of war debts, while the Chinese agreement wrote off the entire amount.

- 2 -

Peiping has made other recent overtures to the North Koreans and has repeatedly asserted that some of its "volunteers" would remain in North Korea to assist in economic rehabilitation. Around 1 August there reportedly arrived from Manchuria approximately 54,000 construction workers, whom the North Korean press described as the vanguard of 100,000 such workers.

The North Korean press announced on 20 November that hundreds of Chinese construction workers had arrived to rebuild Pyongyang. The transfer of substantial numbers of Chinese workers to North Korea would alleviate its critical manpower shortage and permit a North Korean army build-up.

Peiping has shown particular interest in North Korean railroad reconstruction. The Chinese Ministry of Railroads reportedly planned to have 12,000 railway personnel in North Korea by the end of October. Under the 23 November pact Peiping promised to help repair the Korean railway system and supply locomotives and freight and passenger cars.

These developments, concurrent with Soviet grants to restore North Korean heavy industry and continued control by the Soviet-Korean faction of key North Korean economic, political, and military posts, suggest that a balance of influence is being reached or has been agreed on between Moscow and Peiping. The latter's record of fidelity to Moscow, plus its own military and economic dependence on the USSR, makes it unlikely that Peiping is challenging Soviet leadership in Korea or elsewhere in the Far East.

Communist China has probably been delegated a prominent role in North Korea because of Soviet willingness to leave to Peiping the major military obligation in North Korea, as well as a desire to accommodate Peiping in the interests of Sino-Soviet harmony.

**B. South Korean Rehabilitation**

Meanwhile, the rehabilitation program in South Korea is temporarily stalled. Rhee has not been willing to grant those

~~SECURITY INFORMATION~~~~- 4 -~~

safeguards required by American legislation and policies for complementing United States aid. He is also employing his familiar tactics of constantly seeking additional concessions on points already supposedly agreed to. A \$528,000,000 rehabilitation program has been worked out for US fiscal 1954 but American officials have now stopped further procurement requests.

#### C. South Korean Attitudes

As the January termination date for Rhee's period of truce observation approaches, there are increasing indications that he plans no immediate military action. On 24 October General Taylor indicated that he doubted army willingness "automatically" to obey an attack order without full American support and that he saw no evidence of Rhee's intention to proceed unilaterally in the near future. South Korean troops are reported to have only six days' supplies on hand. Ambassador Briggs reported on 19 November that Rhee "certainly

~~SECURITY INFORMATION~~

- 5 -

realizes" the Eisenhower letter eliminated the prospect of American support for a resumption of the fighting.

Rhee, however, has not modified his fundamental hostility to negotiating with the Communists or his opposition to neutral participation. On 29 November he repudiated an agreement made only three days before to invite neutral nations working in Korea as non-voting observers at the political conference.

A possible indicator of South Korean intention is the establishment of a Joint Chiefs of Staff which reportedly occurred on 30 November against the advice of General Taylor. This may be a routine preparation against the withdrawal of UN troops when Seoul will need an over-all agency to commence its military establishment. It could also be an agency to strengthen Rhee's control over the army and to command large-scale military operations.

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NO CHANGE IN CLASS: II

II DECLASSIFIED

CLASS CHANGED TO: TS

NEXT PEGGED DATE:

AUTH: MR. [REDACTED]

DATE: 1-280

NSC BRIEFING 600004

6 1990

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1 December 1953

## THE KOREAN SITUATION

OutlineNorth Korean Rehabilitation

I Communist bloc appears to be mobilizing efforts to rehabilitate North Korea quickly as a practical demonstration of Communist achievement.

- A. Both the Soviet Union and Communist China making large grants and sending technical help.
- B. Internally, the North Korean regime shifting labor from rural areas and state farms to industrial areas; undertaking usual Communist speed-up campaigns.
- C. Railroads and airfields now virtually restored.

II Peiping has made numerous overtures to the North Koreans since the truce.

- A. China's grant of \$350,000,000 at the official rate of exchange appears to cap the \$250,000,000 Soviet grant.
- B. Peiping wrote off the entire war debt incurred by North Korea while Soviets merely provided for easier terms of repayment.
- C. China has repeatedly asserted that some of its volunteers would remain to assist with North Korean economic rehabilitation.
- D. 54,000 construction workers reportedly arrived from Manchuria around 1 August and on 20 November the press said additional workers had arrived to rebuild Pyongyang.
- E. Transfer Chinese workers would alleviate North Korea's critical manpower shortage and permit army build-up.

III Peiping has shown particular interest in North Korean railroad reconstruction.

- A. Chinese Ministry of Railroads reportedly planned to have 12,000 rail personnel in North Korea by 31 October.
- B. In the 23 November Sino-North Korean pact, China promised to help repair the rail net and supply North Korea with rolling stock.

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- 2 -

IV Concurrently, the Soviet Union has granted aid to North Korean industrial rehabilitation.

A. Soviet-Koreans continue to control key North Korean economic, military, and political posts.

V These developments suggest that a balance of influence reached between Moscow and Peiping.

A. China's record of fidelity to Moscow, plus military and economic dependence on the USSR, makes it unlikely Peiping is challenging Soviet leadership in Korea or elsewhere in the Far East.

B. China has probably been delegated a prominent role in North Korea due to Soviet willingness to give Peiping major military obligations there and to a Soviet desire to accommodate China in the interests of Sino-Soviet harmony.

South Korean Rehabilitation

I The rehabilitation program is temporarily stalled.

A. Rhee has been unwilling to grant safeguards required by American aid legislation.

B. He is also employing familiar tactics of constantly seeking additional concessions on points already agreed to.

C. While \$528,000,000 rehabilitation program worked out for US fiscal year 1954, American officials have now stopped further procurement requests.

South Korean Attitudes

I As the January termination date for Rhee's period of truce observation nears, there are increasing indications he plans no immediate military action.

A. On 24 October, General Taylor said he doubted South Korean army willingness to obey an attack order without full American support.

B. Taylor also saw no evidence of Rhee's intention to proceed unilaterally in the near future.

C. South Korean troops reportedly have only six days' supplies on hand.

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- 3 -

D. Ambassador Briggs reported on 19 November Rhee "certainly realizes" Eisenhower letter eliminated prospects of American support for resumed fighting.

II Rhee, however, has not modified his fundamental hostility to negotiating with the Communists or his opposition to neutral participation.

A. On 29 November repudiated a 26 November agreement to invite neutral nations working in Korea as non-voting observers at the political conference.

III Possible indicator of South Korean intentions is the establishment of Joint Chiefs of Staff, reportedly occurring on 30 November, against General Taylor's advice.

A. This may be routine preparation against a UN withdrawal when Seoul will need an over-all agency to command its military establishment.

B. It could also be an agency to strengthen Rhee's control over the army and to command large-scale military operations.

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